

108TH CONGRESS  
2D SESSION

# H. R. 3748

To amend the Internal Revenue Code of 1986 to allow individuals a refundable and advanceable credit against income tax for health insurance costs.

---

## IN THE HOUSE OF REPRESENTATIVES

JANUARY 28, 2004

Mr. SHADEGG introduced the following bill; which was referred to the  
Committee on Ways and Means

---

## A BILL

To amend the Internal Revenue Code of 1986 to allow individuals a refundable and advanceable credit against income tax for health insurance costs.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; CONSTITUTIONAL AUTHORITY.**

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Health Care Cost Integrity and Fairness Act of 2004”.

6 (b) CONSTITUTIONAL AUTHORITY TO ENACT THIS  
7 LEGISLATION.—The constitutional authority upon which  
8 this Act rests is the power of Congress to regulate com-  
9 merce with foreign nations and among the several States,

1 set forth in article I, section 8 of the United States Con-  
 2 stitution.

3 **SEC. 2. REFUNDABLE AND ADVANCEABLE CREDIT FOR**  
 4 **HEALTH INSURANCE COSTS.**

5 (a) IN GENERAL.—Subpart C of part IV of sub-  
 6 chapter A of chapter 1 of the Internal Revenue Code of  
 7 1986 (relating to refundable credits) is amended by redес-  
 8 ignating section 36 as section 37 and by inserting after  
 9 section 35 the following new section:

10 **“SEC. 36. HEALTH INSURANCE COSTS.**

11 “(a) IN GENERAL.—In the case of an individual,  
 12 there shall be allowed as a credit against the tax imposed  
 13 by this subtitle an amount equal to the amount paid dur-  
 14 ing the taxable year for qualified health insurance for cov-  
 15 erage of the taxpayer, his spouse, and dependents.

16 “(b) LIMITATIONS.—

17 “(1) MAXIMUM CREDIT.—

18 “(A) IN GENERAL.—The amount allowed  
 19 as a credit under subsection (a) to the taxpayer  
 20 for the taxable year shall not exceed the sum of  
 21 the monthly limitations for months during such  
 22 taxable year.

23 “(B) MONTHLY LIMITATION.—The month-  
 24 ly limitation for any month is the amount equal  
 25 to  $\frac{1}{12}$  of the lesser of—

1 “(i) the product of \$1,000 multiplied  
2 by the number of individuals taken into ac-  
3 count under subsection (a) who are covered  
4 under qualified health insurance as of the  
5 first day of such month, or

6 “(ii) \$3,000.

7 “(2) EMPLOYER SUBSIDIZED COVERAGE.—Sub-  
8 section (a) shall not apply to amounts paid for cov-  
9 erage of any individual for any month for which  
10 such individual participates in any subsidized health  
11 plan maintained by any employer of the taxpayer or  
12 of the spouse of the taxpayer. The rule of the last  
13 sentence of section 162(l)(2)(B) shall apply for pur-  
14 poses of the preceding sentence.

15 “(c) QUALIFIED HEALTH INSURANCE.—For pur-  
16 poses of this section—

17 “(1) IN GENERAL.—The term ‘qualified health  
18 insurance’ means insurance which constitutes med-  
19 ical care if—

20 “(A) such insurance meets the require-  
21 ments of section 223(c)(2)(A)(ii),

22 “(B) there is no exclusion from, or limita-  
23 tion on, coverage for any preexisting medical  
24 condition of any applicant who, on the date the  
25 application is made, has been continuously in-

1           sured during the 1-year period ending on the  
2           date of the application under—

3                   “(i) qualified health insurance (deter-  
4                   mined without regard to this subpara-  
5                   graph), or

6                   “(ii) a program described in—

7                           “(I) title XVIII or XIX of the  
8                           Social Security Act,

9                           “(II) chapter 55 of title 10,  
10                           United States Code,

11                           “(III) chapter 17 of title 38,  
12                           United States Code,

13                           “(IV) chapter 89 of title 5,  
14                           United States Code, or

15                           “(V) the Indian Health Care Im-  
16                           provement Act, and

17                   “(C) in the case of each applicant who has  
18                   not been continuously so insured during the 1-  
19                   year period ending on the date the application  
20                   is made, the exclusion from, or limitation on,  
21                   coverage for any preexisting medical condition  
22                   does not extend beyond the period after such  
23                   date equal to the lesser of—

24                           “(i) the number of months imme-  
25                           diately prior to such date during which the

1 individual was not so insured since the ill-  
2 ness or condition in question was first di-  
3 agnosed, or

4 “(ii) 1 year.

5 “(2) EXCLUSION OF CERTAIN PLANS.—Such  
6 term does not include—

7 “(A) insurance if substantially all of its  
8 coverage is coverage described in section  
9 223(c)(1)(B),

10 “(B) insurance under a program described  
11 in paragraph (1)(B)(ii).

12 “(3) TRANSITION RULE FOR 2004.—In the case  
13 of applications made during 2004, the requirements  
14 of subparagraphs (C) and (D) of paragraph (1) are  
15 met only if the insurance does not exclude from cov-  
16 erage, or limit coverage for, any preexisting medical  
17 condition of any applicant.

18 “(d) SPECIAL RULES.—

19 “(1) COORDINATION WITH MEDICAL DEDUC-  
20 TION, ETC.—Any amount paid by a taxpayer for in-  
21 surance to which subsection (a) applies shall not be  
22 taken into account in computing the amount allow-  
23 able to the taxpayer as a credit under section 35 or  
24 as a deduction under section 162(l) or 213(a).

1           “(2) DENIAL OF CREDIT TO DEPENDENTS.—No  
2       credit shall be allowed under this section to any indi-  
3       vidual with respect to whom a deduction under sec-  
4       tion 151 is allowable to another taxpayer for a tax-  
5       able year beginning in the calendar year in which  
6       such individual’s taxable year begins.

7           “(3) MARRIED COUPLES MUST FILE JOINT RE-  
8       TURN.—

9           “(A) IN GENERAL.—If the taxpayer is  
10      married at the close of the taxable year, the  
11      credit shall be allowed under subsection (a) only  
12      if the taxpayer and his spouse file a joint return  
13      for the taxable year.

14          “(B) MARITAL STATUS; CERTAIN MARRIED  
15      INDIVIDUALS LIVING APART.—Rules similar to  
16      the rules of paragraphs (3) and (4) of section  
17      21(e) shall apply for purposes of this para-  
18      graph.

19          “(4) VERIFICATION OF COVERAGE, ETC.—No  
20      credit shall be allowed under this section to any indi-  
21      vidual unless such individual’s coverage under quali-  
22      fied health insurance, and the amount paid for such  
23      coverage, are verified in such manner as the Sec-  
24      retary may prescribe.

1           “(5) COORDINATION WITH ADVANCE PAYMENTS  
 2           OF CREDIT.—With respect to any taxable year, the  
 3           amount which would (but for this subsection) be al-  
 4           lowed as a credit to the taxpayer under subsection  
 5           (a) shall be reduced (but not below zero) by the ag-  
 6           gregate amount paid on behalf of such taxpayer  
 7           under section 7528 for months beginning in such  
 8           taxable year.

9           “(6) COST-OF-LIVING ADJUSTMENT.—In the  
 10          case of any taxable year beginning in a calendar  
 11          year after 2004, each dollar amount contained in  
 12          subsection (b)(1)(B) shall be increased by an  
 13          amount equal to—

14                 “(A) such dollar amount, multiplied by

15                 “(B) the cost-of-living adjustment deter-  
 16                 mined under section 1(f)(3) for the calendar  
 17                 year in which the taxable year begins by sub-  
 18                 stituting ‘calendar year 2003’ for ‘calendar year  
 19                 1992’ in subparagraph (B) thereof.

20          Any increase determined under the preceding sen-  
 21          tence shall be rounded to the nearest multiple of  
 22          \$10.”.

23          (b) ADVANCE PAYMENT OF CREDIT.—Chapter 77 of  
 24          such Code (relating to miscellaneous provisions) is amend-  
 25          ed by adding at the end the following new section:

1   **“SEC. 7528. ADVANCE PAYMENT OF CREDIT FOR HEALTH**  
2                   **INSURANCE COSTS.**

3           “(a) GENERAL RULE.—The Secretary shall establish  
4 a program for making payments on behalf of individuals  
5 to providers of qualified health insurance (as defined in  
6 section 36(c)) for such individuals.

7           “(b) LIMITATION ON ADVANCE PAYMENTS DURING  
8 ANY TAXABLE YEAR.—The Secretary may make pay-  
9 ments under subsection (a) only to the extent that the  
10 total amount of such payments made on behalf of any indi-  
11 vidual during the taxable year does not exceed the amount  
12 allowable as a credit to such individual for such year under  
13 section 36 (determined without regard to subsection (d)(5)  
14 thereof).”.

15           (c) CONFORMING AMENDMENTS.—

16                 (1) Paragraph (2) of section 1324(b) of title  
17 31, United States Code, is amended by inserting “or  
18 36” after “section 35”.

19                 (2) The table of sections for subpart C of part  
20 IV of subchapter A of chapter 1 of the Internal Rev-  
21 enue Code of 1986 is amended by striking the item  
22 relating to section 36 and inserting the following  
23 new items:

“Sec. 36. Health insurance costs.

“Sec. 37. Overpayments of tax.”.



1           (3) The table of sections for chapter 77 of such  
2       Code is amended by adding at the end the following  
3       new item:

      “Sec. 7528. Advance payment of credit for health insurance costs.”.

4       (d) EFFECTIVE DATE.—The amendments made by  
5       this section shall apply to taxable years beginning after  
6       December 31, 2003.

○